

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Clearwater	County Kalkaska
Fiscal Year End 3/31/07	Opinion Date 7/19/07	Date Audit Report Submitted to State 9/11/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) James M. Anderson, P.C.		Telephone Number (989) 563-2450		
Street Address P.O. Box 255		City Roscommon	State MI	Zip 48653
Authorizing CPA Signa 	Digitally signed by James M. Anderson, CPA DN: cn=James M. Anderson, c=US, o=James M. Anderson, P.C., email=jma@m33access.com Date: 2007.09.11 10:40:43 -04'00'	Printed Name James M. Anderson, CPA		License Number 1101017419

**TOWNSHIP OF CLEARWATER  
KALKASKA COUNTY, MICHIGAN  
AUDITED FINANCIAL STATEMENTS  
MARCH 31, 2007**

**TOWNSHIP OFFICIALS**

Supervisor

David Grimm

Clerk

Julie Vance

Treasurer

Sheryl Grimm

**TRUSTEES**

Bruce Belanger

Elmer Veen

# TOWNSHIP OF CLEARWATER

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## James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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### INDEPENDENT AUDITOR'S REPORT

July 19, 2007

Township Board  
Clearwater Township  
Kalkaska County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Clearwater, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

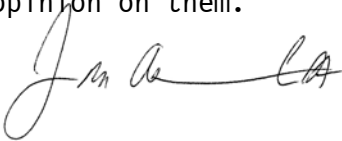
In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, each major fund activity, and the aggregate remaining fund information of the Township of Clearwater, as of March 31, 2007, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3-8 and budgetary comparison information on pages 27-34 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

MEMBER MACPA and AICPA

Township Board  
Clearwater Township  
July 19, 2007  
Page 2

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Clearwater's basic financial statements. The introductory section and combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

A handwritten signature in cursive script, appearing to read "J M Anderson", written in dark ink.

JAMES M. ANDERSON, P.C.  
CERTIFIED PUBLIC ACCOUNTANT

## TOWNSHIP OF CLEARWATER MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Clearwater Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2007.

### **Financial Highlights**

- . The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$1,293,323 (*net assets*). Of this amount, \$642,959 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations.
- . The Township's total net assets increased by \$54,534.
- . As of the close of the current fiscal year, the Township's general fund, reported an ending fund balance of \$383,240, a decrease of \$30,840 in comparison with the prior year.
- . At the end of the current fiscal year, unreserved fund balance for the general fund was \$383,240 or 117% of total general expenditures.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1)Government-wide financial statements, 2)Fund financial statements, and 3)Notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *Government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

TOWNSHIP OF CLEARWATER  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Both of the Government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, and other. The Township does not have any business-type activities as of and for the year ended March 31, 2007.

The Government-wide financial statements can be found on pages 9-10 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains three governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Fire, and Public Improvement Funds.

The Township adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements or schedules have been provided for the governmental funds herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 11 and 13 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.



TOWNSHIP OF CLEARWATER  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-26 of this report.

**Government-wide Financial Analysis**

A portion of the Township's net assets (50%) reflects its investments in capital assets (e.g., land, land improvements, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

**Township's Net Assets**

	Governmental Activities			
	2007	2006	Variance	%
Current and Other Assets	\$ 651,132	\$ 632,233	\$ 18,899	2.99
Capital Assets, Net	<u>650,364</u>	<u>613,051</u>	<u>37,313</u>	<u>6.15</u>
Total Assets	1,301,496	1,245,284	56,212	4.51
Current Liabilities	<u>8,173</u>	<u>6,495</u>	<u>1,678</u>	<u>25.83</u>
Total Liabilities	8,173	6,495	1,678	25.83
Net Assets				
Invested in Capital Assets, Net				
of Related Debt	650,364	613,051	37,313	6.15
Unrestricted	<u>642,959</u>	<u>625,738</u>	<u>17,221</u>	<u>2.75</u>
<b>Total Net Assets</b>	<u><u>\$1,293,323</u></u>	<u><u>\$1,238,789</u></u>	<u><u>\$ 54,534</u></u>	<u><u>4.40</u></u>

TOWNSHIP OF CLEARWATER  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The Township's net assets increased by \$54,534 during the current fiscal year. Unrestricted net assets - the part of net assets that can be used to finance day to day operations, increased by \$17,221 or 3%, during fiscal year 2007.

**Township's Changes in Net Assets**

	<b>Governmental Activities</b>			
	<u>2007</u>	<u>2006</u>	<u>Variance</u>	<u>%</u>
<b>Revenue:</b>				
Program Revenue:				
Charges for services	\$ 36,709	\$ 51,060	\$ (14,351)	(28.11)
Operating Grants and Contributions	8,000	14,000	(6,000)	(42.86)
Capital Grants and Contributions	27,818	39,168	(11,350)	(28.98)
General Revenue:				
Property Taxes	159,954	154,371	5,583	3.62
State-Shared Revenues	164,418	164,796	(378)	(0.23)
Interest and Rent Earnings	27,161	14,408	12,753	88.51
Other	8,053	10,488	(2,435)	(23.22)
<b>Total Revenue</b>	<u>432,113</u>	<u>448,291</u>	<u>(16,178)</u>	<u>(3.61)</u>
<b>Expenses:</b>				
General Government	207,579	191,255	16,324	8.53
Public Safety	106,715	92,057	14,658	15.92
Public Works	12,359	15,275	(2,916)	(19.09)
Health and Welfare	1,378	1,354	24	1.77
Recreation and Culture	49,548	31,994	17,554	54.87
<b>Total Expenses</b>	<u>377,579</u>	<u>331,935</u>	<u>45,644</u>	<u>13.75</u>
<b>Increase in Net Assets</b>	<u>54,534</u>	<u>116,356</u>	<u>(61,822)</u>	<u>(53.13)</u>
Net Assets, Beginning of Year	<u>1,238,789</u>	<u>1,122,433</u>	<u>116,356</u>	<u>10.37</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 1,293,323</u></u>	<u><u>\$ 1,238,789</u></u>	<u><u>\$ 54,534</u></u>	<u><u>4.40</u></u>

**Governmental activities.** The Township's total governmental revenues decreased by \$16,178 from last fiscal year. This was primarily attributed to a reduction in park grants and contributions. Expenses increased by \$45,644. The increase was primarily due to the park capital improvements and additional expenditures in the Fire Fund.

**Financial Analysis of the Government's Funds**

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

TOWNSHIP OF CLEARWATER  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$642,959, an increase of \$17,221 in comparison with the prior year. The *undesignated fund balance*, which is available for spending at the Township's discretion, constitutes 100% of this total amount.

The primary governmental fund is the General Fund of the Township. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Undesignated fund balance represents 117% of total general fund expenditures.

The fund balance of the General Fund decreased by \$30,840 during the current fiscal year.

**General Fund Budgetary Highlights**

The Township's budgets are prepared in accordance with Michigan Law. The budgeted funds are the General, Fire, and Public Improvement Funds.

**Capital Assets and Debt Administration**

**Capital assets.** The Township's investment in capital assets for its governmental activities as of March 31, 2007, amounted to \$650,364 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, and equipment. Additions totaled \$80,260 for the fiscal year.

**Township's Capital Assets**  
(net of depreciation)

	2007	2006	Total Percentage Change
Land and Improvements	\$ 120,025	\$ 123,616	(2.90)
Buildings and Improvements	407,591	381,534	6.83
Machinery and Equipment	122,748	107,901	13.76
Total	<u>\$ 650,364</u>	<u>\$ 613,051</u>	<u>6.09</u>

Additional information on the Township's capital assets can be found in note E on page 23 of this report.

TOWNSHIP OF CLEARWATER  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**Factors Bearing on the Township's Future**

The following factors were considered in preparing the Township's budget for the 2007-2008 fiscal year:

- . The State of Michigan has made significant cuts in their operating budgets due to a down turn of the economy. For 2006-2007, the Township received \$162,046 in state shared revenues, representing 51% of the revenues in the General Fund. The amounts of state shared revenues for future periods is uncertain and will affect the Township's budget.
- . The building of new roads, sidewalks and lighting in the Rapid City area. This will help improve accessibility while making the township and attractive place to live.
- . To retain the Rapid City Elementary School by increasing its population.
- . Creating more recreational opportunities while preserving our access sites to Torch Lake and our parks while improving accessibility and opportunity for all.
- . To promote our residential areas by encouraging development through good planning practices.
- . To help our business community by creating more commercial zones through planning.
- . To continue to construct a Recreational Complex at the Rapid City Road location.

**Requests for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

**Clearwater Township  
P.O. Box 1  
Kalkaska, MI 49676**

TOWNSHIP OF CLEARWATER  
STATEMENT OF NET ASSETS  
MARCH 31, 2007

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and investments	\$ 425,866
Receivables:	
Taxes Receivable	196,661
Other Governmental Units	<u>28,605</u>
Total Current Assets	651,132
Non-Current Assets:	
Capital Assets - Net	<u>650,364</u>
Total Assets	<u>1,301,496</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	4,578
Accrued liabilities	<u>3,595</u>
Total Current Liabilities	<u>8,173</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	650,364
Unrestricted	<u>642,959</u>
Total Net Assets	<u><u>\$ 1,293,323</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLEARWATER  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
GOVERNMENTAL ACTIVITIES					
General	\$ (207,579)	\$ 36,709	\$ -0-	\$ -0-	\$ (170,870)
Public Safety	(106,715)	-0-	8,000	-0-	(98,715)
Public Works	(12,359)	-0-	-0-	-0-	(12,359)
Health and Welfare	(1,378)	-0-	-0-	-0-	(1,378)
Recreation and Culture	(49,548)	-0-	-0-	27,818	(21,730)
Total Governmental Activities	<u>\$ (377,579)</u>	<u>\$ 36,709</u>	<u>\$ 8,000</u>	<u>\$ 27,818</u>	<u>(305,052)</u>
GENERAL REVENUES					
Property Taxes Levied for:					
General Purpose					67,974
Public Safety					91,980
State Shared Revenue not restricted to specific purposes					164,418
Miscellaneous					8,053
Investment Earnings					<u>27,161</u>
Total General Revenues					<u>359,586</u>
Change in Net Assets					54,534
Net Assets - April 1					<u>1,238,789</u>
Net Assets - March 31					<u>\$ 1,293,323</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLEARWATER  
COMBINING BALANCE SHEET  
GOVERNMENTAL FUNDS  
MARCH 31, 2007

	<u>General</u>	<u>Fire</u>	<u>Public Improvement</u>	<u>Totals</u>
<b>ASSETS</b>				
Cash and investments	\$ 257,048	\$ 43,407	\$ 125,411	\$ 425,866
Taxes receivable	105,192	91,469	-0-	196,661
Due from other governmental units	<u>26,605</u>	<u>2,000</u>	<u>-0-</u>	<u>28,605</u>
Total Assets	<u>\$ 388,845</u>	<u>\$ 136,876</u>	<u>\$ 125,411</u>	<u>\$ 651,132</u>
<b>LIABILITIES AND FUND EQUITY</b>				
Liabilities:				
Accounts payable	\$ 3,193	\$ 1,385	\$ -0-	\$ 4,578
Accrued liabilities	<u>2,412</u>	<u>1,183</u>	<u>-0-</u>	<u>3,595</u>
Total Liabilities	<u>5,605</u>	<u>2,568</u>	<u>-0-</u>	<u>8,173</u>
Fund Equity:				
Fund balance:				
Undesignated	<u>383,240</u>	<u>134,308</u>	<u>125,411</u>	<u>642,959</u>
Total Fund Equity	<u>383,240</u>	<u>134,308</u>	<u>125,411</u>	<u>642,959</u>
Total Liabilities and Fund Equity	<u>\$ 388,845</u>	<u>\$ 136,876</u>	<u>\$ 125,411</u>	<u>\$ 651,132</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLEARWATER  
RECONCILIATION OF FUND BALANCES ON BALANCE SHEET  
FOR GOVERNMENTAL FUNDS TO NET ASSETS OF  
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS  
MARCH 31, 2007

TOTAL FUND BALANCES - GOVERNMENTAL ACTIVITIES \$ 642,959

Amounts reported for governmental activities in the  
Statement of Net Assets are different because:

Capital assets used in governmental activities are not  
current financial resources and therefore are not  
recorded in the funds. This represents the amounts by  
which capital assets used in governmental funds exceeds  
accumulated depreciation.

650,364

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 1,293,323

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF CLEARWATER  
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCE - ALL GOVERNMENTAL FUND TYPES  
YEAR ENDED MARCH 31, 2007

	<u>General</u>	<u>Fire</u>	<u>Public Improvement</u>	<u>Totals</u>
Revenues:				
Taxes and assessments	\$ 67,974	\$ 91,980	\$ -0-	\$ 159,954
Intergovernmental	164,418	8,000	-0-	172,418
Charges for services	35,174	-0-	-0-	35,174
Licenses and permits	1,535	-0-	-0-	1,535
Interest	14,916	2,832	9,413	27,161
Other	<u>32,494</u>	<u>3,377</u>	<u>-0-</u>	<u>35,871</u>
Total Revenues	<u>316,511</u>	<u>106,189</u>	<u>9,413</u>	<u>432,113</u>
Expenditures:				
General government	201,010	-0-	127	201,137
Public safety	13,388	87,414	-0-	100,802
Public works	12,359	-0-	-0-	12,359
Health and welfare	1,378	-0-	-0-	1,378
Recreation	<u>99,216</u>	<u>-0-</u>	<u>-0-</u>	<u>99,216</u>
Total Expenditures	<u>327,351</u>	<u>87,414</u>	<u>127</u>	<u>414,892</u>
Excess:				
Revenue over (under) expenditures	<u>(10,840)</u>	<u>18,775</u>	<u>9,286</u>	<u>17,221</u>
Other financing sources (uses):				
Operating transfers in	-0-	-0-	20,000	20,000
Operating transfers (out)	<u>(20,000)</u>	<u>-0-</u>	<u>-0-</u>	<u>(20,000)</u>
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>-0-</u>	<u>20,000</u>	<u>-0-</u>
Excess:				
Revenue and other financing sources over (under) expenditures and other Uses	(30,840)	18,775	29,286	17,221
Fund Balance - April 1	<u>414,080</u>	<u>115,533</u>	<u>96,125</u>	<u>625,738</u>
Fund Balance - March 31	<u><u>\$ 383,240</u></u>	<u><u>\$ 134,308</u></u>	<u><u>\$ 125,411</u></u>	<u><u>\$ 642,959</u></u>

The accompanying notes are and integral part of the financial statements.

TOWNSHIP OF CLEARWATER  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2007

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 17,221

Amounts reported for governmental activities in the  
Statement of Activities are different because:

Governmental funds report capital outlays as expenditures.  
However in the statement of activities, the cost of these  
assets are capitalized and depreciation charged to expense  
over their useful life.

37,313

CHANGES IN NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 54,534

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLEARWATER  
STATEMENT OF FIDUCIARY NET ASSETS  
MARCH 31, 2007

ASSETS	
Cash and Investments	<u>\$ 180,112</u>
LIABILITIES	
Undistributed Collections	<u>180,112</u>
Total Liabilities	<u>180,112</u>
NET ASSETS	
Net Assets	<u><u>\$ -0-</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLEARWATER  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
YEAR ENDED MARCH 31, 2007

REVENUES	
Property Tax Collections	\$ 2,571,293
Interest and Fee Collections	<u>37,713</u>
Total Revenues	<u>2,609,006</u>
EXPENDITURES	
Property Taxes	2,571,293
Other	<u>37,713</u>
Total Expenditures	<u>2,609,006</u>
Excess of Revenues over Expenditures	-0-
Net Assets - April 1	<u>-0-</u>
Net Assets - March 31	<u><u>\$ -0-</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLEARWATER  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2007

NOTE A: ENTITY

The Township of Clearwater is a general law township of the state of Michigan located in Kalkaska County, Michigan. It operates under an elected board and provides services to its residents in many areas including liquor law enforcement, community enrichment, and human services. As required by generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement no. 14 "The Financial Reporting Entity", these financial statements present the Township of Clearwater (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Clearwater conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS: The government-wide financial statements (i.e., the statements of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Indirect expenses* are charged based upon a Township-wide cost allocation plan which allocates costs based upon the number of full time equivalents, number of transactions, and other pertinent information. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWNSHIP OF CLEARWATER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION: The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and select compensated absences are recorded only when payment is due.

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports following major governmental funds:

The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* is used to account for all financial activity related to the Township's capital investments. The main source of revenue is derived from property taxes.

The *Public Improvement* is used to account for activity related to the Township's capital investments. The major source of revenue is from General Fund transfers and interest.

TOWNSHIP OF CLEARWATER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

The Township does not maintain any non-major governmental funds as of March 31, 2007.

Additionally, the Township reports the following fund types:

*Agency Funds* are used to account for assets held on behalf of outside parties, including other governments.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2006, are recorded as revenue in the current year. The Township's taxable value for the 2006 tax year totaled \$97,003,365.

The tax rates for the year ended March 31, 2007, were as follows:

<u>PURPOSE</u>	<u>RATE/ASSESSED VALUATION</u>
General	0.7343 mills per \$1,000
Fire	0.9444 mills per \$1,000

BUDGETS - Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Township for budgetary funds were adopted on a fund level. Budgets are normally formulated during January and February of each year and a budget hearing is held in March. The board normally adopts the budget just prior to April 1. Amendments are made to the budgets when determined to be necessary throughout the year. Unused appropriations for budgeted activities lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWNSHIP OF CLEARWATER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exists. Donated capital assets are valued at their estimated fair value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on the capital assets (including infrastructure), is computed using the straight-line or sum-of-the-years digits method over the following estimated useful lives:

	<u>Years</u>
Land improvements	20
Buildings	30-50
Public domain infrastructure	8-50
Equipment	3-20

LONG-TERM OBLIGATIONS - In the government-wide financial statements, the long-term debt and other long-term obligations are reported as liabilities. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.



TOWNSHIP OF CLEARWATER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2007

NOTE C - CASH AND INVESTMENTS

The captions on the balance sheets related to deposits and investments are as follows:

	<u>Checking &amp; Savings</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Governmental Activities	\$ 186,801	\$ 239,065	\$ 425,866
Agency funds	<u>180,112</u>	<u>-0-</u>	<u>180,112</u>
Total	<u>\$ 366,913</u>	<u>\$ 239,065</u>	<u>\$ 605,978</u>

Deposits - At year-end, the carrying amount of the Township's deposits was \$605,978 and the bank balance was \$625,769. According to Section 330.8 of the Federal Deposit Insurance Corporation Rules and Regulations, 63% of the total bank balance was covered by federal depository insurance.

The Government Accounting Standards Board Statement No. 3 risk disclosures for Clearwater Township's cash deposits are as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 400,000	\$ 400,000
Uninsured and Uncollateralized	<u>205,978</u>	<u>225,769</u>
Total Deposits	<u>\$ 605,978</u>	<u>\$ 625,769</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to local government's indirect investment in securities through the use of mutual funds or government investment pools.

Interest Rate Risk

The Township has not adopted a policy that indicates how the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

TOWNSHIP OF CLEARWATER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2007

Concentration of Credit Risk

The Township has adopted a policy that indicates how the Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Investments - P.A. 20 of 1943, authorizes the Township to deposit and invest in the following:

- a. Bonds and other direct obligations of the United States or its agencies.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of act 105, PA 1855, as amended (MCL 21.145 and 21.146).
- c. Commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase.
- d. United States governmental or Federal agency obligation repurchase agreements.
- e. Bankers' acceptance of United States banks.
- f. Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.

NOTE D - DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units consists of amounts due from the State of Michigan of \$28,605.

TOWNSHIP OF CLEARWATER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2007

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2007 was as follows:

<u>Primary Government</u>	Beginning				
Governmental activities:	of year	Increases	End of Decreases	Year	
Land	<u>\$ 23,816</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 23,816</u>	
Total capital Assets, not being depreciated	<u>23,816</u>	<u>-0-</u>	<u>-0-</u>	<u>23,816</u>	
Capital assets, being depreciated:					
Land Improvements	101,588	-0-	-0-	101,588	
Building and improvements	437,691	43,645	-0-	481,336	
Machinery and equipment	<u>178,436</u>	<u>36,615</u>	<u>-0-</u>	<u>215,051</u>	
Total capital assets, being depreciated	<u>717,715</u>	<u>80,260</u>	<u>-0-</u>	<u>797,975</u>	
Less accumulated depreciation for:					
Land improvements	1,788	3,591	-0-	5,379	
Buildings and improvements	56,157	17,588	-0-	73,745	
Machinery and equipment	<u>70,535</u>	<u>21,768</u>	<u>-0-</u>	<u>92,303</u>	
Total accumulated depreciation	<u>128,480</u>	<u>42,947</u>	<u>-0-</u>	<u>171,427</u>	
Net capital assets, being depreciated	<u>589,235</u>	<u>37,313</u>	<u>-0-</u>	<u>626,548</u>	
Net governmental activities capital assets	<u>\$ 613,051</u>	<u>\$ 37,313</u>	<u>\$ -0-</u>	<u>\$ 650,364</u>	

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 12,682
Public safety	14,289
Recreation	<u>15,976</u>
Total depreciation expense - governmental activities	<u>\$ 42,947</u>

TOWNSHIP OF CLEARWATER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2007

NOTE F - PARTIAL SELF-INSURANCE

The Township is a member of the Michigan Municipal Risk Management Authority. As a member of the Authority, the Township is partially self-insured for general and auto liability, motor vehicle physical damage and property loss claims. Under most circumstances, the municipality's maximum coverage is limited as follows:

<u>Type</u>	<u>Limit</u>	<u>Deductible</u>
Property	\$ 1,016,508	100
Liability	5,000,000	-0-
Errors and Omission	4,000,000	-0-
Automobiles	3,000,000	100
Crime	10,000	-0-
Inland Marine	95,500	100
Workmen's Compensation	STATUTORY	-0-

NOTE G - PENSION PLANS

Plan Description

Clearwater Township participates in a defined benefit retirement plan administered by the Michigan Municipal Employees Retirement System, (MERS). The Townships payroll for the 1 member covered by the system for the year ended December 31, 2006 was \$31,702.

The Municipal Employees Retirement System of Michigan (MERS) is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability benefits, on a voluntary basis to the State's local government employees in the most efficient and effective manner possible. As such, MERS is a non-profit entity qualified under section 401(a) of the Internal Revenue Code, which has the responsibility of administering the law in accordance with the expressed intent of the Legislature and bears a fiduciary obligation to the State of Michigan, the taxpayers and the public employees who are its beneficiaries.

The passage of HB-5525/Act No. 220, with enactment on May 28, 1996, allowed the members of MERS to vote on and determine if MERS should become an independent public corporation. The vote resulted in approval to become independent of State control and MERS began to operate as an independent public corporation effective August 15, 1996. MERS issues a financial report, available to the public, that includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

TOWNSHIP OF CLEARWATER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2007

NOTE G - PENSION PLANS (CONTINUED)

All full time Township employees are eligible to participate in the system. Benefits vest after ten years of service. Township employees who retire at or after age 60 with 10 years credited service or 50 with 25 years credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% of the members's 3-year final average compensation with a maximum benefit of 80% of the 3-year final average compensation. The system also provides death and disability benefits which are established by the State Statute.

Actuarial Accrued Liability - The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2006. Significant actuarial assumptions used in determining the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit and (d) the assumption that benefits will increase 2.5% annually after retirement.

All entries are based on the actuarial methods and assumption that were used in the December 31, 2006 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial methods was used to determine the entries at disclosure.

GASB 25 INFORMATION (as of 12/31/06)

Actuarial Accrued Liability:

Retirees and beneficiaries currently receiving benefits	\$ -0-
Terminated employees not yet receiving benefits	-0-
Current Employees:	
Accumulated employee contributions including allocated investment income	-0-
Employer financed	<u>45,972</u>
Total actuarial accrued liability	45,972
Net assets available for benefits, at actuarial value (Market value is \$36,927)	<u>36,418</u>
Unfunded (over funded) actuarial accrued liability	<u>\$ 9,554</u>

GASB 27 INFORMATION (as of 12/31/06)

Fiscal year beginning	April 1, 2008
Annual required contribution (ARC)	\$ 5,328
Amortization factor used	.054719

TOWNSHIP OF CLEARWATER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2007

NOTE G - PENSION PLANS (CONTINUED)

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2006 were determined using the entry age normal actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost

<u>Year Ended March 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
2004	\$ 4,259	100%	\$ -0-
2005	8,987	100%	-0-
2006	5,266	100%	-0-

The Township was required to contribute \$5,805 for the year ended March 31, 2007. Payments were based on contribution calculations made by MERS.

Aggregate Accrued Liabilities - Comparative Schedule

<u>Actuarial Valuation Date December 31</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % Of Covered Payroll</u>
2004	\$ 17,680	\$ 26,788	\$ 9,108	66%	\$ 28,380	32%
2005	28,599	37,058	8,459	77%	29,667	29%
2006	36,418	45,972	9,554	79%	31,702	30%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

TOWNSHIP OF CLEARWATER  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes and Assessments:				
General property taxes	\$ 72,000	\$ 72,000	\$ 67,974	\$ (4,026)
Total Taxes and Assessments	<u>72,000</u>	<u>72,000</u>	<u>67,974</u>	<u>(4,026)</u>
Intergovernmental:				
State shared revenues	105,000	105,000	162,046	57,046
State swamp tax	<u>2,000</u>	<u>2,000</u>	<u>2,372</u>	<u>372</u>
Total Intergovernmental	<u>107,000</u>	<u>107,000</u>	<u>164,418</u>	<u>57,418</u>
Charges for Services:				
Fees	38,300	38,300	34,311	(3,989)
Rent	<u>1,500</u>	<u>1,500</u>	<u>863</u>	<u>(637)</u>
Total Charges for Services	<u>39,800</u>	<u>39,800</u>	<u>35,174</u>	<u>(4,626)</u>
Licenses and Permits	<u>2,500</u>	<u>2,500</u>	<u>1,535</u>	<u>(965)</u>
Interest	<u>5,000</u>	<u>5,000</u>	<u>14,916</u>	<u>9,916</u>
Other:				
Private Contributions	-0-	-0-	27,818	27,818
Miscellaneous	<u>1,500</u>	<u>1,500</u>	<u>4,676</u>	<u>3,176</u>
Total Other	<u>1,500</u>	<u>1,500</u>	<u>32,494</u>	<u>30,994</u>
Total Revenue	<u>227,800</u>	<u>227,800</u>	<u>316,511</u>	<u>88,711</u>



TOWNSHIP OF CLEARWATER  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Government				
Township Board:				
Salaries-board	\$ 4,000	\$ 4,000	\$ 2,900	\$ 1,100
Payroll taxes	10,200	10,200	9,111	1,089
Legal fees	5,000	5,000	824	4,176
Professional services	4,000	4,000	5,497	(1,497)
Mileage	200	200	-0-	200
Insurance	15,000	15,000	10,173	4,827
Printing and publishing	1,000	1,000	226	774
Office supplies	6,000	6,000	5,001	999
Education/training	1,000	1,000	-0-	1,000
Equipment	<u>3,000</u>	<u>3,000</u>	<u>-0-</u>	<u>3,000</u>
Total Township Board	<u>49,400</u>	<u>49,400</u>	<u>33,732</u>	<u>15,668</u>
Township Supervisor:				
Salary	20,500	20,500	20,000	500
Wages - deputy	500	500	341	159
Professional services	1,000	1,000	-0-	1,000
Contract services	1,000	1,000	-0-	1,000
Mileage	200	200	-0-	200
Office supplies	1,000	1,000	2,031	(1,031)
Education/training	300	300	713	(413)
Equipment	<u>1,000</u>	<u>1,000</u>	<u>-0-</u>	<u>1,000</u>
Total Township Supervisor	<u>25,500</u>	<u>25,500</u>	<u>23,085</u>	<u>2,415</u>

TOWNSHIP OF CLEARWATER  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2007

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
General Government (continued)				
Election Board:				
Services	\$ 5,000	\$ 5,000	\$ 4,690	\$ 310
Mileage	500	500	383	117
Office supplies	1,500	1,500	1,779	(279)
Professional services	2,000	2,000	779	1,221
Printing and publishing	1,000	1,000	42	958
Education/training	1,000	1,000	-0-	1,000
Total Election Board	11,000	11,000	7,673	3,327
Township Clerk:				
Salary - clerk	10,000	10,000	10,000	-0-
Salary - deputy	9,500	9,500	7,145	2,355
Professional services	400	400	-0-	400
Mileage	500	500	86	414
Office supplies	500	500	50	450
Printing and publishing	200	200	-0-	200
Education/training	1,000	1,000	-0-	1,000
Equipment	500	500	-0-	500
Total Township Clerk	22,600	22,600	17,281	5,319
Township Treasurer:				
Salary - treasurer	12,500	12,500	12,500	-0-
Salary - deputy	6,000	6,000	4,586	1,414
Mileage	500	500	290	210
Office supplies	2,000	2,000	590	1,410
Software	-0-	-0-	4,131	(4,131)
Postage	4,000	4,000	1,031	2,969
Printing and publishing	500	500	87	413
Education/training	500	500	35	465
Dues	-0-	-0-	479	(479)
Equipment	500	500	-0-	500
Total Township Treasurer	26,500	26,500	23,729	2,771
Board of Review:				
Salaries	3,000	3,000	1,326	1,674
Printing and publishing	3,000	3,000	18	2,982
Total Board of Review	6,000	6,000	1,344	4,656

TOWNSHIP OF CLEARWATER  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2007

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
General Government (continued)				
Township Hall:				
Custodial wages	\$ 16,000	\$ 16,000	\$ 12,866	\$ 3,134
Retirement	2,100	2,100	5,364	(3,264)
Mileage	500	500	-0-	500
Contract services	7,500	7,500	7,619	(119)
Supplies	2,000	2,000	481	1,519
Utilities	10,500	10,500	8,823	1,677
Repairs and maintenance	14,500	14,500	21,347	(6,847)
Equipment/building	18,000	18,000	6,240	11,760
Total Township Hall	<u>71,100</u>	<u>71,100</u>	<u>62,740</u>	<u>8,360</u>
Community Center:				
Maintenance wages	3,000	3,000	1,989	1,011
Retirement	2,000	2,000	-0-	2,000
Supplies	700	700	531	169
Utilities	3,600	3,600	2,421	1,179
Repairs and maintenance	2,500	2,500	248	2,252
Equipment/building	500	500	-0-	500
Total Community Center	<u>12,300</u>	<u>12,300</u>	<u>5,189</u>	<u>7,111</u>
Cemetery:				
Maintenance wages	3,000	3,000	897	2,103
Retirement	2,000	2,000	441	1,559
Contract services	4,000	4,000	3,355	645
Utilities	250	250	182	68
Repairs and maintenance	2,000	2,000	486	1,514
Equipment/building	500	500	-0-	500
Total Cemetery	<u>11,750</u>	<u>11,750</u>	<u>5,361</u>	<u>6,389</u>
Zoning:				
Salaries	15,000	15,000	13,779	1,221
Mileage	400	400	267	133
Legal	7,500	7,500	2,471	5,029
Contract services	1,500	1,500	640	860
Office supplies	-0-	-0-	1,812	(1,812)
Printing & publishing	1,000	1,000	1,907	(907)
Education/training	1,000	1,000	-0-	1,000
Total Zoning	<u>26,400</u>	<u>26,400</u>	<u>20,876</u>	<u>5,524</u>
Total General Government	<u>262,550</u>	<u>262,550</u>	<u>201,010</u>	<u>61,540</u>

TOWNSHIP OF CLEARWATER  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Public Safety:				
Police patrol	\$ 16,500	\$ 16,500	\$ 13,388	\$ 3,112
Total Public Safety	<u>16,500</u>	<u>16,500</u>	<u>13,388</u>	<u>3,112</u>
Public Works:				
Street light utilities	9,000	9,000	8,439	561
Repairs and maintenance	<u>6,000</u>	<u>6,000</u>	<u>3,920</u>	<u>2,080</u>
Total Public Works	<u>15,000</u>	<u>15,000</u>	<u>12,359</u>	<u>2,641</u>
Health and Welfare				
Hospital services	1,000	1,000	916	84
Health representation	<u>1,200</u>	<u>1,200</u>	<u>462</u>	<u>738</u>
Total Health and Welfare	<u>2,200</u>	<u>2,200</u>	<u>1,378</u>	<u>822</u>
Recreation:				
Custodian wages	21,500	21,500	20,288	1,212
Retirement	2,000	2,000	-0-	2,000
Utilities	2,500	2,500	2,317	183
Repairs and maintenance	5,000	5,000	10,966	(5,966)
Capital outlay	<u>35,000</u>	<u>35,000</u>	<u>65,645</u>	<u>(30,645)</u>
Total Recreation	<u>66,000</u>	<u>66,000</u>	<u>99,216</u>	<u>(33,216)</u>
Total Expenditures	<u>362,250</u>	<u>362,250</u>	<u>327,351</u>	<u>34,899</u>

TOWNSHIP OF CLEARWATER  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Excess:				
Revenues over (under) expenditures	\$ (134,450)	\$ (134,450)	\$ (10,840)	\$ 123,610
Other Financing Sources (Uses):				
Operating transfers out	(20,000)	(20,000)	(20,000)	-0-
Total Other Financing Sources (Uses)	(20,000)	(20,000)	(20,000)	-0-
Excess:				
Revenue and other financing sources over (under) expenditures and other financing uses	(154,450)	(154,450)	(30,840)	123,610
Fund Balance - April 1	<u>414,080</u>	<u>414,080</u>	<u>414,080</u>	<u>-0-</u>
Fund Balance - March 31	<u>\$ 259,630</u>	<u>\$ 259,630</u>	<u>\$ 383,240</u>	<u>\$ 123,610</u>

TOWNSHIP OF CLEARWATER  
FIRE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ 87,000	\$ 87,000	\$ 91,980	\$ 4,980
Townships	8,000	8,000	8,000	-0-
Interest	500	500	2,832	2,332
Sale of fixed assets	-0-	-0-	2,500	2,500
Other	<u>400</u>	<u>400</u>	<u>877</u>	<u>477</u>
Total Revenues	<u>95,900</u>	<u>95,900</u>	<u>106,189</u>	<u>10,289</u>
Expenditures:				
Personal service	30,000	30,000	23,763	6,237
Fringe benefits	2,500	2,500	1,816	684
Utilities	7,000	7,000	6,189	811
Vehicle	5,000	5,000	6,332	(1,332)
Office supplies	600	600	795	(195)
Training & education	2,000	2,000	5,234	(3,234)
Insurance	10,000	10,000	8,842	1,158
Supplies/repairs/maintenance	20,500	20,500	26,067	(5,567)
Equipment/building	2,000	2,000	8,376	(6,376)
Other	<u>19,800</u>	<u>19,800</u>	<u>-0-</u>	<u>19,800</u>
Total Expenditures	<u>99,400</u>	<u>99,400</u>	<u>87,414</u>	<u>11,986</u>
Excess:				
Revenues over (under) expenditures	(3,500)	(3,500)	18,775	22,275
Fund Balance - April 1	<u>115,533</u>	<u>115,533</u>	<u>115,533</u>	<u>-0-</u>
Fund Balance - March 31	<u>\$ 112,033</u>	<u>\$ 112,033</u>	<u>\$ 134,308</u>	<u>\$ 22,275</u>

TOWNSHIP OF CLEARWATER  
PUBLIC IMPROVEMENT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Interest	\$ <u>1,000</u>	\$ <u>1,000</u>	\$ <u>9,413</u>	\$ <u>8,413</u>
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>9,413</u>	<u>8,413</u>
Expenditures:				
Capital outlay	<u>116,000</u>	<u>116,000</u>	<u>127</u>	<u>115,873</u>
Total Expenditures	<u>116,000</u>	<u>116,000</u>	<u>127</u>	<u>115,873</u>
Excess:				
Revenues over (under) expenditures	<u>(115,000)</u>	<u>(115,000)</u>	<u>9,286</u>	<u>124,286</u>
Other Financing Sources (uses):				
Operating Transfer In	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-0-</u>
Total Other Financing Sources (uses)	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-0-</u>
Excess:				
Revenues & other financing sources over (under) expenditures	<u>(95,000)</u>	<u>(95,000)</u>	<u>29,286</u>	<u>124,286</u>
Fund Balance - April 1	<u>96,125</u>	<u>96,125</u>	<u>96,125</u>	<u>-0-</u>
Fund Balance - March 31	<u>\$ 1,125</u>	<u>\$ 1,125</u>	<u>\$ 125,411</u>	<u>\$ 124,286</u>



## James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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### **COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES**

July 19, 2007

Township Board  
Clearwater Township  
Kalkaska Couty, Michigan

In planning and performing my audit of the financial statements of the governmental activities and each major fund of the Township of Clearwater, Michigan as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, I considered Clearwater Township's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly I do not express an opinion on the effectiveness of the governmental unit's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control that I consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the following deficiencies to be significant deficiencies in internal control.

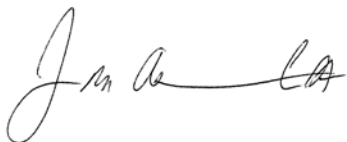
The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Township Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.



All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records, and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting). As is the case with most small and medium-sized entities, the Township has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot, by definition, be considered a part of the government's internal controls. This condition was caused by the Township's determination that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Township to perform this task internally.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control. I believe that the deficiencies described above are material weaknesses.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

A handwritten signature in cursive script, appearing to read "James M. Anderson".

JAMES M. ANDERSON, P.C.  
CERTIFIED PUBLIC ACCOUNTANT



## James M. Anderson, P.C.

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July 19, 2007

Township Board  
Clearwater Township  
Kalkaska County, MI

Dear Board Members:

I have audited the financial statements of each major fund and the aggregate remaining fund information of the Township of Clearwater for the year ended March 31, 2007, and have issued my report thereon dated July 19, 2007. Professional standards require that I provide you with the following information related to my audit.

### My Responsibility Under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in my engagement letter dated July 18, 2007, my responsibility, as described by professional standards, is to plan and perform my audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because I did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by me.

As part of my audit, I considered the internal control of the Township of Clearwater. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of Clearwater Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my tests was not to provide an opinion on compliance with such provisions.

### Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Clearwater are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. I noted no transactions entered into by the Township of Clearwater during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

#### Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Clearwater Township's financial reporting process (that is, cause future financial statements to be materially misstated). In my judgment, none of the adjustments I proposed, whether recorded or unrecorded by the Township of Clearwater, either individually or in the aggregate, indicate matters that could have a significant effect on Clearwater Township's financial reporting process.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

#### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves applications of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

#### Issues Discussed Prior to Retention of Independent Auditors

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Clearwater Township's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Township Board  
Clearwater Township  
July 19, 2007  
Page 3

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing my audit.

This information is intended solely for the use of management, Township Board and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "James M. Anderson".

James M. Anderson, PC  
Certified Public Accountant